

Service Date: April 29, 1993

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * *

| | | |
|------------------------------------|---|---------------------|
| IN THE MATTER of the Application |) | |
| Of the Regulated Members of TELE- |) | UTILITY DIVISION |
| PHONE EXCHANGE CARRIERS OF MONTANA |) | DOCKET NO. 92.12.79 |
| (TECOM) For Authority to Decrease |) | ORDER NO. 5685a |
| Rates for Intrastate Access |) | |
| Services. |) | |

* * * * *

DEFAULT ORDER

FINDINGS OF FACT

1. On December 17, 1992, the regulated members of the Telephone Exchange Carriers of Montana (TECOM), consisting of Lincoln Telephone Company, Project Telephone Company, and Southern Montana Telephone Company, (Applicants), filed an application with the Montana Public Service Commission (Commission) for authority to decrease rates for intrastate carrier access services.

2. Applicants, as well as the unregulated members of TECOM, recover their costs of providing access to the local networks for origination and completion of interexchange long distance calls by imposing access charges on the interexchange carriers who utilize those services. Applicants' access service costs have been established using FCC Part 36 and 69 cost studies. Applicants' current access charge rates are based upon 1988 Part 36 and 69 cost studies.

3. In Docket No. 89.11.41, Order No. 5434a, the Commission approved a stipulation between TECOM and U S West Communications. The stipulation resulted in frozen rates for a three-year period ending January 15, 1993 (subject to conditions and limitations). In addition to the frozen rates, a carrier credit was implemented. The carrier credit for 1992 is \$500,000, and expires on January 16, 1993. Without a rate reduction, TECOM

would receive an effective rate increase on that date. TECOM does not support a rate increase at this time, and in fact supports a rate decrease.

4. TECOM's current revenues, with the \$500,000 carrier access charge credit applied, are as follows (using 1991 access minutes):

| Rate Element | Access Minutes | Current Rates | Current Revenues |
|-----------------|-------------------|------------------|---------------------|
| Common Line | 136,136,548 | \$.0354 | \$ 4,819,234 |
| End Office | 136,617,617 | .0352 | 4,808,940 |
| Local Transport | 136,617,617 | .0310 | 4,235,146 |
| Carrier Credit | | | (500,000) |
| Total | | <u>\$.1016</u> | <u>\$13,363,320</u> |

5. TECOM's current aggregate access charge is \$.1016 per minute as shown above, but their currently effective aggregate access charge is approximately \$.098 per minute (\$13,363,320 in revenues which reflects the \$500,000 carrier credit divided by 136,617,617 access minutes). TECOM proposes to reduce this effective aggregate rate by approximately \$.005 per minute.

6. TECOM proposes to reduce their aggregate carrier access rate (currently \$.1016 per minute) by \$.0086 per minute, which would result in a new aggregate carrier access rate of \$.093 per minute. This reduces the currently effective aggregate access charge, which reflects the \$500,000 carrier credit, of \$.098 per minute by \$.005.

7. Due to recent changes in the FCC allocation methodology for switching costs, TECOM proposes to apply the \$.0086 per minute reduction entirely to the end office rate element. The proposed rates and revenues are as follows:

| Rate Element | Access Minutes | Proposed Rates | Proposed Revenues |
|-----------------|-------------------|-------------------|----------------------|
| Common Line | 136,136,548 | \$.0354 | \$4,819,234 |
| End Office | 136,617,617 | .0266 | 3,634,029 |
| Local Transport | 136,617,617 | .0310 | 4,235,146 |
| Total | | <u>\$.0930</u> | <u>\$12,688,409</u> |

8. This change in the end office rate element, along with the expiration of the carrier credit will result in an annual revenue reduction (using 1991 access minutes) of \$674,911 as

follows:

| Rate Element | 1991 Minutes | Current Revenues | Proposed Revenues | Increase/ Decrease |
|----------------|-----------------|---------------------|----------------------|-----------------------|
| Common Line | 136,136,548 | \$ 4,819,234 | \$ 4,819,234 | \$ 0 |
| End Office | 136,617,617 | 4,808,940 | 3,634,029 | (1,174,911) |
| L. Transport | 136,617,617 | 4,235,146 | 4,235,146 | 0 |
| Carrier Credit | | (500,000) | 0 | 500,000 |
| Total | | <u>\$13,363,320</u> | <u>\$12,688,409</u> | <u>(\$674,911)</u> |

9. TECOM did not provide updated cost studies to support their proposed rate decrease.

10. Since the Commission was not supplied with any cost data to support the proposed rate decrease, whether or not the proposed rates exceed the relevant marginal costs is unclear.

11. On January 22, 1993, the Commission issued Interim Order No. 5685, which granted the proposed rate decrease on an interim basis.

12. On February 1, 1993, the Commission issued a Notice of Application, Opportunity for Hearing, and Intervention Deadline. The Notice set a deadline for requesting intervention or a public hearing of March 3, 1993. The Notice indicated that if a hearing was not requested by that date, an appropriate order may be issued based upon evidence submitted with the Application.

13. The Commission has received petitions to intervene from AT&T, U S West Communications, the Montana Consumer Counsel, and Northwestern Telephone System, Inc. (PTI Communications).

14. No protests or requests for a hearing were received.

DECISION

15. The Commission finds that the decrease filed by TECOM for Intrastate Access Services is proper and hereby GRANTS the decrease, as filed.

16. The Commission remains concerned about the level of TECOM carrier access charges. Consequently, the Commission hereby puts TECOM on notice that it expects TECOM to make an informal cost of service and rate design filing (COS & RD) by March 1, 1994. TECOM may petition to extend this filing date, if necessary, and the Commission will consider it.

17. As regards the type of COS and RD data the Commission

expects TECOM to file, the Commission minimally expects the following. First, the Commission has interest in the cost to provide carrier access in as much detail as the current tariffs contain. At TECOM's option an embedded cost study can be used, but the Commission would then request a marginal-cost analysis also be conducted. Second, TECOM should comment on the optional market-based price level for carrier access charges. Third, TECOM should clearly indicate the impact on other services and rates of carrier access charge price reductions. Finally, TECOM should note any obstacles to lowering its regulated local exchange carriers' access charges. At its own volition, TECOM may provide any other information it believes may be of interest to the Commission.

CONCLUSIONS OF LAW

1. The Applicants, Lincoln Telephone Company, Project Telephone Company, and Southern Montana Telephone Company, are corporations providing regulated telecommunications services within the State of Montana and, as such, are public utilities within the meaning of Sections 69-3-101 and 69-3-803 (3), MCA.

2. The Montana Public Service Commission is properly exercising jurisdiction in this Docket pursuant to Applicants' request under Sections 69-3-102, and 69-3-302, MCA.

3. The Commission has provided adequate public notice and an opportunity for a public hearing herein, pursuant to the Montana Administrative Procedure Act, Title 2, Chapter 4, MCA.

4. The rates and charges approved herein are just and reasonable. Section 69-3-201, MCA.

ORDER

1. Applicants' request for a rate reduction is hereby granted, as filed.

2. This Order shall be effective for services rendered on and after May 15, 1993.

3. Applicants are directed to file compliance tariffs with the Commission within fifteen (15) days from the service date of this Order, which incorporate all of the decisions herein. Authority to review and approve the compliance tariffs is hereby delegated to the Commission staff.

4. The Commission reserves jurisdiction of this matter for

purposes of considering a motion to amend the filing date provided in Finding of Fact No. 16.

DONE AND DATED at Helena, Montana, this 29th day of April, 1993, in open session by a 4 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ROWE, Vice Chairman
DAVE FISHER, Commissioner
NANCY McCaffree, Commissioner
DANNY OBERG, Commissioner

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days from the date this Order is mailed (service date). See 38.2.4806, ARM and Sec. 2-4-623(5), MCA.